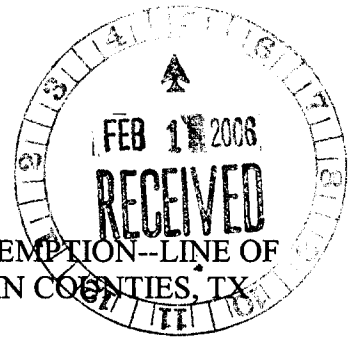


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SURFACE TRANSPORTATION BOARD
Washington, D.C. 20423

Finance Docket No. 34834



TEXAS DEPARTMENT OF TRANSPORTATION--ACQUISITION EXEMPTION--LINE OF
UNION PACIFIC RAILROAD COMPANY IN LAMAR AND FANNIN COUNTIES, TX

VERIFIED NOTICE OF EXEMPTION
PURSUANT TO 49 C.F.R. SECTION 1150.31(a)

(a) The full name and address of the applicant:

Transportation Planning and Programming Division, Multimodal Section
Texas Department of Transportation
P.O. Box 149217
Austin, Texas 78714-9217
(512) 486-5127 phone
(512) 416-2348 fax

(b) The name, address, and telephone number of the representative of the applicant

who should receive correspondence:

Richard H. Streeter
Barnes & Thornburg LLP
750 17th Street, N.W.
Suite 900
Washington, D.C. 20006

Telephone: (202) 408-6933

(c) A statement that an agreement has been reached or details about when an agreement will be reached: An agreement has been reached between the parties. By way of background, by Decision, served August 19, 2003, the Surface Transportation Board ("STB"), in its Docket No. AB-33 (Sub-No. 163X), Union Pacific Railroad Company--Abandonment Exemption--In Lamar and Fannin Counties, TX, authorized Fannin Rural Rail Transportation District ("FRRTD") to acquire Union Pacific Railroad Company's right, title and interest in certain personal and real property ("the Rail Line") located in Lamar and Fannin Counties, State

of Texas, extending from Mile Post 94.0 to Mile Post 127.5 on the Bonham Subdivision for a total of approximately 33.5 miles. FRRTD, which is a political subdivision that was presumed to be financially responsible,¹ initially intended to acquire the Rail Line with State and Federal grants. However, FRRTD subsequently decided to sell its interests in the Rail Line to the State of Texas, acting by and through its Department of Transportation ("TxDOT"), which, in consideration of FRRTD's agreement to sell its interests, agreed to provide the funds to acquire the Rail Line from Union Pacific Railroad Company ("UP") and to lease back the properties so that FRRTD, or its operator, could perform freight rail service over the Rail Line. Although FRRTD and TxDOT reached an oral agreement in August 2005, it was not memorialized in written form until January 27, 2006.²

Consistent with its agreement with FRRTD, TxDOT entered into a further agreement with UP to acquire the right-of-way and the track materials that UP had previously agreed to sell to FRRTD. FRRTD intends either to operate the line itself or hire an operator to conduct rail freight operations on its behalf. As UP has notified the Board, the sale to TxDOT was consummated and closed on September 21, 2005.³ The instant Notice is intended to cure the inadvertent failure to obtain prior Board approval of the sale to TxDOT, rather than to FRRTD.

It is respectfully submitted that TxDOT's acquisition of FRRTD's interests is clearly in the public interest. By acquiring the right-of-way and the track materials, TxDOT has prevented the destruction of the rail corridor and opened the possibility of renewed rail freight service. Furthermore, it is possible that in the future that the corridor will be used for passenger and/or commuter rail service or other transportation purposes. TxDOT will also retain the residual

¹ 49 CFR 1152.27(c)(1)(ii)(B).

² See Attachment 1 hereto.

³ Letter to Vernon Williams from Mack H. Shumate, Jr., dated October 17, 2005.

common carrier obligation as part of its Lease and Operating Agreement with FRRTD so as to ensure the viability of the corridor should FRRTD fail in its efforts to restore the line.

The shippers on the line support the transaction. There has been no rail service over the line for several years. Indeed, the line is in such a state of disrepair that it would be unsafe, if not impossible, to conduct any rail operations. Because several of the shippers are members of FRRTD's Board of Directors, they are well aware of the situation and of the need to have TxDOT provide the funds that were needed to acquire the Rail Line from UP. FRRTD intends to rehabilitate the line and has obtained some funding necessary to begin the rehabilitation process.

(d) The operator of the property: FRRTD or an operator to be hired by FRRTD. An appropriate Notice will be filed in the event that an operator is hired by FRRTD.

(e) A brief summary of the proposed transaction, including:

(1) The name and address of the railroad transferring the subject property:

As explained above, the Union Pacific Railroad Company, 1400 Douglas Street, Omaha, Nebraska transferred the subject property to TxDOT on September 21, 2005. FRRTD, which is a political subdivision of the State of Texas, was authorized to acquire the subject property under 49 U.S.C. § 10904. Instead, it opted to allow TxDOT to acquire the subject property on its behalf and to lease it back to FRRTD so that FRRTD could operate the line or arrange for another operator to do so.

(2) The proposed time schedule for consummation of the transaction:

The consummation date is coterminous with the filing of this Notice on February 1, 2006.

(3) The mile-posts of the subject property, including any branch lines:

MP 94.0, near Paris, Texas, and MP 127.5, near Bonham, Texas.

(4) The total route miles being acquired:

33.5 miles.

(f) A map that clearly indicates the area to be served, including origins, termini, stations, cities, counties, and States:

See Attachment 2.

(g) A certificate that applicant's projected revenues do not exceed those that would qualify it as a Class III carrier.

Neither TxDOT or FTTRD are rail carriers. It is hereby certified that projected revenues will not exceed those that would qualify either TxDOT or FTTRD as a Class III carrier should the Board determine that either entity should be deemed to be a rail carrier.

Verification

My name is Michael W. Behrens, P.E., Executive Director, Texas Department of Transportation, P.O. Box 149217, Austin, Texas 78714-9217. I certify that I am qualified and authorized to provide this verification. I have read the foregoing Notice of Exemption. The statements therein are true and correct. Executed on February 1, 2006.


Michael W. Behrens

Attachment 1



October 17, 2005

Mr. Vernon Williams, Secretary
Surface Transportation Board
Section of Environmental Analysis
1925 "K" St., N. W., Room 504
Washington, DC 20423-0001

**RE: Docket No. AB-33 (Sub. No. 163X), Union Pacific Railroad Company -
Abandonment Exemption- In Lamar and Fannin Counties, Texas (Bonham
Subdivision between Milepost 94.0 near Paris to Milepost 127.5 east of
Bonham, a distance of 33.5 miles**

Dear Mr. Williams:

This refers to the Board's decision dated August 19, 2003 authorizing a political subdivision of the State of Texas to acquire the above line under 49 U.S.C. 10904. The decision also dismissed the abandonment exemption effective on the date the sale is consummated.

This letter is to advise that the sale of the above line to the State of Texas, Department of Transportation was consummated and closed on September 21, 2005.

An additional ten (10) copies of this letter are enclosed for the Board's further use and distribution.

Very truly yours,


Mack H. Shumate, Jr.

Enclosures

cc: Richard H. Streeter, Esq.
Barnes & Thornburg
750 17th Street, N.W.
Washington, D.C. 20006

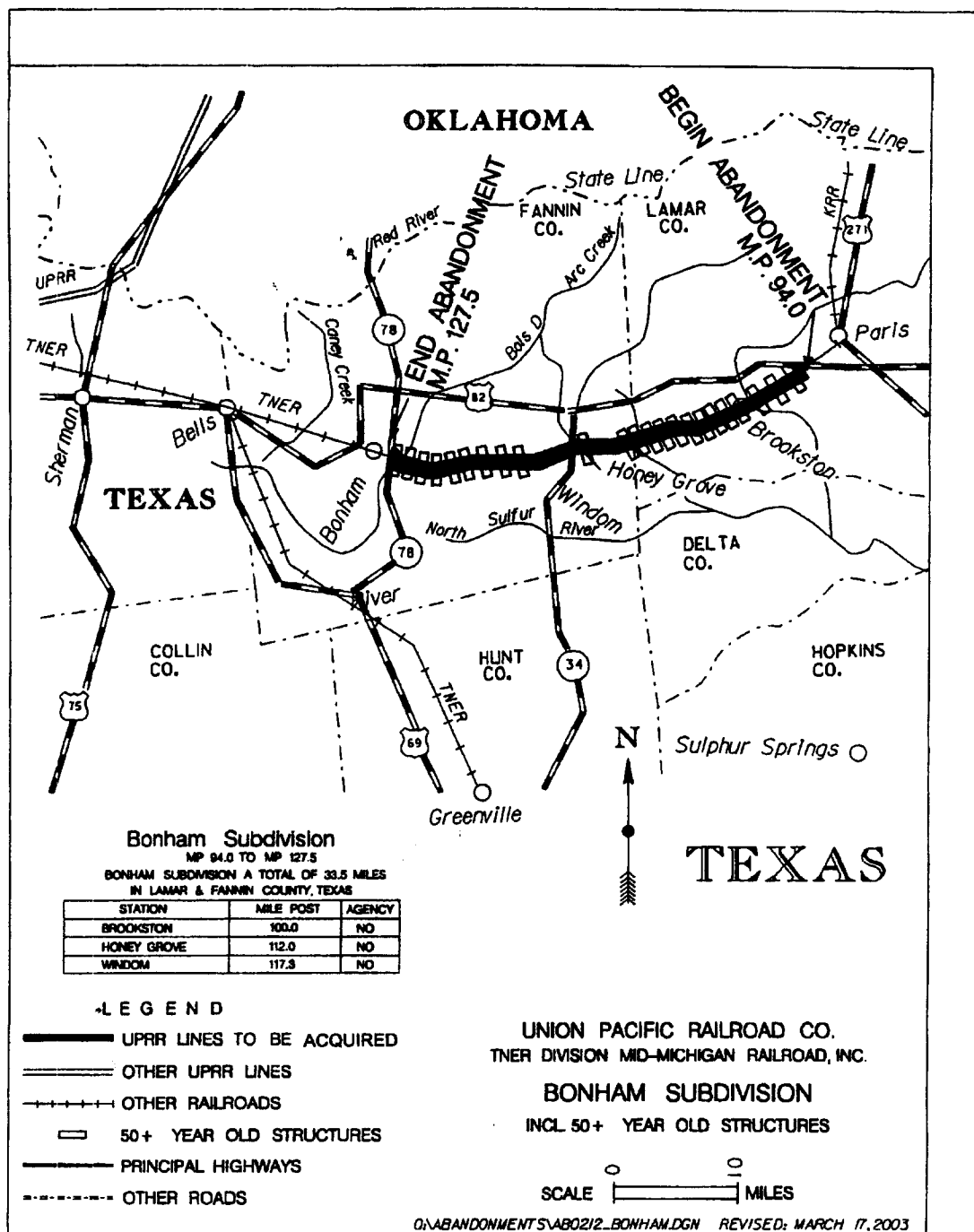
cc: Gary A. Laakso, Esq.
Vice President Regulatory Counsel
5300 Broken Sound Boulevard, N.W.
Second Floor
Boca Raton, FL 33487

cc: Louis E. Gitomer, Esq.
BALL JANIK, LLP
1455 F. Street, N.W.
Suite 225
Washington, D.C. 20005

Mack H. Shumate, Jr.
Senior General Attorney, Law Department

UNION PACIFIC RAILROAD
101 N. Wacker Dr., Rm. 1920, Chicago, IL 60606-1718
ph. (312) 777-2055 fx. (312) 777-2065

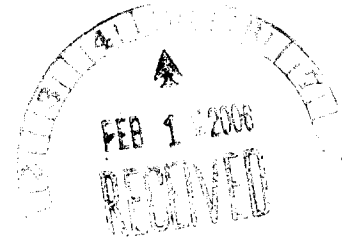
Attachment 2



SURFACE TRANSPORTATION BOARD

Notice of Exemption

Finance Docket No. 34834



The Texas Department of Transportation has filed a notice of exemption to acquire Union Pacific Railroad Company's right, title and interest in certain personal and real property ("the Rail Line") located in Lamar and Fannin Counties, State of Texas, extending from Mile Post 94.0 to Mile Post 127.5 on the Bonham Subdivision for a total of approximately 33.5 miles. Comments must be filed with the Board and served on Richard H. Streeter, Barnes & Thornburg LLP, 750 17th St., N.W., Suite 900, Washington, D.C. 20006.

The notice is filed under § 1150.31. If the notice contains false or misleading information, the exemption is void *ab initio*. Petitions to revoke the exemption under 49 U.S.C. 10502(d) may be filed at any time. The filing of a petition to revoke will not automatically stay the transaction.